

**FOREST OIL CORPORATION**  
**FOC AUDIT NO. 05-05-NO – UNOCAL CORPORATION**  
**PROPERTY – TRADING BAY UNIT AND FIELD**  
**FOR THE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2004**

Credit  
(Charge)  
Due

Exception Description

**Exception No. 23 Non-Operations Boat Purchase – Zodiac Craft –Continued-**

"Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations."

Based on the above Section II, Paragraph 4, it is Forest's position that the purchase of the Zodiac water craft does not satisfy the threshold of being reasonably practical and consistent with efficient and economical operations applicable to the Dolly Varden Platform.

A schedule of the detail JADE data and copies of the supporting documents were previously provided to the Operator.

The Operator is requested to provide documented justification for the purchase of this water craft, including its launch point capabilities and how it is used efficiently to facilitate the operations of the Dolly Varden Platform or credit the TBU Cost Center 1036950000 \$23,161.00 as follows:

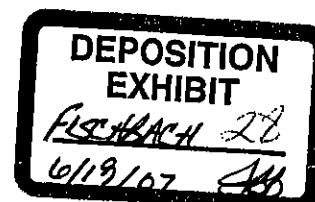
|                        |     |             |
|------------------------|-----|-------------|
| Exception Amount       |     | \$21,850.00 |
| Overhead Percentage    | .06 | 1,311.00    |
| Total Exception Amount |     | \$23,161.00 |

**Exception No. 24 Rig Wind Wall Enhancement Not Covered By AFE**

\$ 240,464.94

The Operator charged the TBU Dolly Varden Rig Maintenance (Cost Center 1036957000) and Dolly Varden Wells & Facility (Cost Center 1036950000) a total of \$226,853.72 for costs related to the repair or construction of a wind wall from the following Voorhees Rig International Inc. invoices:

| Cost Center                     | Voucher Number | Invoice Number | Invoice Date | Amount       |
|---------------------------------|----------------|----------------|--------------|--------------|
| 1036957000                      | 10183531       | 9699           | 03/24/04     | \$ 1,752.00  |
| 1036957000                      | 10162738       | 9700           | 04/06/04     | 47,000.00    |
| 1036957000                      | 10183535       | 9702           | 05/20/04     | 58,217.30    |
| 1036957000                      | 10186018       | 9703           | 05/25/04     | 38,240.91    |
| 1036950000                      | 10193134       | 9705           | 06/10/04     | 38,291.44    |
| 1036950000                      | 10193136       | 9706           | 06/14/04     | 43,352.07    |
| Total Rig Wind Wall Enhancement |                |                |              | \$226,853.72 |



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| <u>Exception Description</u> | <u>Credit<br/>(Charge)<br/>Due</u> |
|------------------------------|------------------------------------|
|------------------------------|------------------------------------|

**Exception No. 24 Rig Wind Wall Enhancement Not Covered By AFE –Continued-**

The Seventh Amendment to the Unit Operating Agreement, Sub-Section 8.3D, Paragraph Number 3, dated January, 1990, states:

“All projects exceeding one hundred thousand dollars (\$100,000) shall require approval of the parties. An AFE shall be prepared by the Operator or Sub-Operator and supplied by the Operator to all other Parties for approval.”

The Operator has charged these costs to normal operating expense accounts with no references to an approved Authorization for Expenditure (“AFE”). Apparently the Operator did not issue an AFE applicable to this specific project for approval by all Parties as required by the above referenced Unit Operating Agreement, Amendment Number Seven.

A schedule of the detail JADE data and copies of the supporting documents were previously provided to the Operator.

The Operator is requested to provide an AFE that has been previously approved by all Parties applicable to this specific repair or construction project for a Wind Wall on the Dolly Varden Platform or credit the TBU Dolly Varden Rig Maintenance (Cost Center 1036957000) \$153,922.82 and Dolly Varden Wells & Facility (Cost Center 1036950000) \$86,542.12 as follows:

|                               |     |                     |
|-------------------------------|-----|---------------------|
| Exception Amount              |     | \$226,853.72        |
| Overhead Percentage           | .06 | 13,611.22           |
| <b>Total Exception Amount</b> |     | <b>\$240,464.94</b> |

**Exception No. 25 Covered By OH – Comp Software Users’ Licenses**

**\$ 10,814.39**

The Trading Bay Unit Joint Account has been charged \$10,202.25 in prorated costs applicable to the purchase of Computer Software licenses from Midwest Energy Association invoices as follows:

| Voucher Number                                 | Invoice Number | Invoice Date | Amount      | Prorated Charged   |
|--|----------------|--------------|-------------|--------------------|
| 10206992                                       | 5603           | 07/06/04     | \$18,750.00 | \$ 8,352.25        |
| 10242985                                       | 6025           | 10/13/04     | 4,625.00    | 1,850.00           |
| <b>Total Computer Software Users’ Licenses</b> |                |              |             | <b>\$10,202.25</b> |

**Union Oil Company of California (Alaska)**  
Audit Reply

**TRADING BAY UNIT**

Forest Oil Corp.

Auditor's Reference No.: 05-05-NO

Unocal's Reference No.: 05-03

Period: January 2004 - December 2004

|   |                       |
|---|-----------------------|
|   | <b>Original Claim</b> |
| <b>Exc. # 24 Rig Wind Wall Enhancement Not Covered by AFE</b> | <b>\$ 240,464.94</b>  |

The Operator charged the TBU Dolly Varden Rig Maintenance (Cost Center 1036957000) and Dolly Varden Wells & Facility (Cost Center 1036950000) a total of \$226,853.72 for costs related to the repair or construction of a wind wall from several invoices from Voorhees Rig International Inc. The Seventh Amendment to the Unit Operating Agreement, Sub-Section 8.3D, Paragraph Number 3, dated January, 1990, states: "All projects exceeding one hundred thousand dollars (\$100,000) shall require approval of the parties. An AFE shall be prepared by the Operator or Sub-Operator and supplied by the Operator to all other Parties for approval."

**Operator's Response:**

This project was undertaken by Unocal due to serious safety alerts or under emergency safety preventions. There were pieces of steel falling off the wind wall that could have seriously injured or killed an employee or contractor, or it could have seriously damaged equipment. We are attaching a couple photographs of the material that fell from the wind wall. We are asking Forest Oil to drop this claim because even if we would have delayed this project a number of weeks in order to process and obtain approval for an AFE, we are assuming Forest Oil would have approved the AFE because of Safety and Liability concerns. However, if Forest Oil feels this project didn't benefit the Joint Account and the project was not necessary, please let us know and we will take your response into consideration.

| Audit Exception / Claim                    |         |               |
|--|---------|---------------|
|  | Granted | Denied        |
|  |         | 240,464.94    |
| <b>Total Of Operator's Response:</b>       | \$ -    | \$ 240,464.94 |
| <b>Balance of Exception Still Pending:</b> |         | \$ -          |

(Unless otherwise stated, all amounts are written in Gross W.I. Dollars.)

**CONFIDENTIAL****UNOCAL014300**

EXHIBIT 11  
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